

**West Central Michigan Employment
and Training Consortium**

(d/b/a/ "Michigan Works! West Central")

Big Rapids, Michigan

Financial Statements and Additional Information
Year Ended June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Michigan Works! West Central	County Mecosta
Audit Date 6/30/05	Opinion Date 10/20/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Wipfli LLP			
Street Address 2901 West Beltline Highway, Suite 201		City Madison	State WI
Accountant Signature <i>James L. Sobiech, CPA</i>		ZIP 53713	Date 11-21-05

West Central Michigan Employment and Training Consortium

(d/b/a "Michigan Works! West Central")

Financial Statements and Additional Information
Year Ended June 30, 2005

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Independent Auditor's Report

Board of Directors
West Central Michigan Employment and Training Consortium
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund and the aggregate remaining fund information of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of West Central Michigan Employment and Training Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

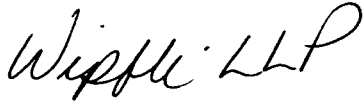
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of West Central Michigan Employment and Training Consortium as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005, on our consideration of West Central Michigan Employment and Training Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is additional information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required additional information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the West Central Michigan Employment and Training Consortium basic financial statements. The accompanying schedule of expenditures of federal awards and other financial assistance, Schedule A-1 to A-2, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Wipfli LLP

October 20, 2005
Madison, Wisconsin

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. GASB 34 introduces two new financial reports – the statement of net assets and the statement of activities. In addition, GASB 34 requires a Management's Discussion and Analysis which is an overview of financial activities for the fiscal year. State and local governments (including West Central Michigan Employment and Training Consortium) must conform to Statement 34 as with all other generally accepted accounting principles.

Financial Highlights

- West Central Michigan Employment and Training Consortium's (the "Consortium") overall financial position, as reflected in total net assets, decreased by \$9,018.
- In governmental funds, the total fund balance decreased by \$20,047.

A synopsis of key financial activities for the 2004-2005 fiscal year is as follows:

- Fiscal year 2002-2003 included an audit questioned cost in the amount of \$31,500 and the Judicial resolution was still in process as of the end of fiscal year 2003-2004. The final restitution amount, \$25,955 was ordered by the court in March 2005. A six-month repayment period was granted, however the defendant made the final payment on July 13, 2005. The Judicial resolution has been completed and both the USDOL/OIG and the Michigan Department of Labor and Economic Growth have declared this incident closed.
- The Consortium was awarded, from Michigan Department of Labor and Economic Growth (MDLEG), \$86,215 in incentive funds based on achievement of Performance Standards for both Work First and WIA programs.
- In response to plant closures, Trade Act services remained high at an annual funding level of \$455,000 as compared to \$480,000 the prior year.
- The Consortium was also awarded, for a second consecutive year, a WIA Dislocated Worker Negotiated Adjustment Grant of \$199,000 to serve additional clients resulting from plant closures in our service delivery area.
- The Consortium exceeded all of the 17 WIA Performance Standards, which qualifies the Consortium to share in the incentive funds for fiscal year ended June 30, 2005.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to West Central Michigan Employment and Training Consortium's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Government-Wide Financial Statements

- The government-wide financial statements are the statement of net assets and the statement of activities. These statements present an aggregate view of the Consortium's finances in a manner similar to private and nonprofit sectors.
- The statement of net assets presents information on all of the Consortium's assets and liabilities, with the difference between the two being reported as net assets.
- The statement of activities presents information showing how the Consortium's net assets changed during the year.
- The government-wide financial statements are shown on pages 9 and 10 of this report.

Fund Financial Statements

- The Consortium also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Consortium, like other federal/state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the Consortium's government-wide statements.
- There are two fund financial statements: the balance sheet and the statement of revenue, expenditures, and changes in fund balances.
- The Consortium has two funds, the governmental general fund and the agency fund. The general fund accounts for all federal, state, and local grant funded programs. The fiduciary agency fund accounts for assets and liabilities relating to funded leave compensation.

The major features of the Consortium's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

	Government-Wide Statements	Fund Financial Statements Governmental
Scope	Entire Government.	The programmatic and operating activities of the Consortium such as employment and training.
Required Financial Statements	Statement of net assets and statement of activities.	Balance sheet and statement of revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Accrual accounting. Current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the Consortium's government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 22 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of West Central Employment and Training Consortium, assets exceeded liabilities by \$128,164 at June 30, 2005 and \$137,182 at June 30, 2004. Table 1 below provides a summary of the Consortium's net assets for the year ended June 30, 2005 and 2004.

Table 1
Condensed Statement of Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Current and other assets	\$ 795,812	\$ 549,268
Capital assets	61,017	49,988
Total assets	856,829	599,256
Current liabilities	728,665	462,074
Total liabilities	728,665	462,074
Net assets:		
Invested in capital assets	61,017	49,988
Unrestricted	67,147	87,194
Total net assets	\$ 128,164	\$ 137,182

In governmental activities for the year ended June 30, 2005, total assets increased by \$257,573 including an increase in cash of \$18,470 and an increase in grants receivable of \$204,540. Total liabilities increased \$266,591 primarily due to the \$269,610 increase in accounts payable.

In governmental activities for the year ended June 30, 2004, total assets decreased by \$87,811 including a decrease in cash of \$92,547. Total liabilities decreased \$82,116 primarily due to the \$63,567 decrease in accounts payable.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Change in Net Assets

Table 2 summarizes the change in net assets for the fiscal year 2005 and 2004.

Table 2
Change in Net Assets

	2005		2004	
		Percentage of Funding		Percentage of Funding
Revenue:				
Operating grants and contributions	\$ 4,977,538	99.27%	\$ 5,725,582	99.63%
Capital grants and contributions	36,720	0.73%	21,430	0.37%
Total revenue	5,014,258	100.00%	5,747,012	100.00%
Expenses:				
Job training:				
Administration	447,014	8.90%	415,890	7.23%
Program	281,254	5.60%	207,085	3.60%
Direct administration	235,038	4.68%	269,649	4.69%
Direct client program	1,066,705	21.24%	1,350,523	23.48%
Direct client participant	514,664	10.25%	355,261	6.18%
Supportive services	237,130	4.72%	546,798	9.51%
WIA services	2,099,463	41.79%	2,371,089	41.22%
Depreciation-unallocated	25,691	0.51%	27,322	0.47%
Other	116,317	2.32%	209,090	3.63%
Total expenses	5,023,276	100.00%	5,752,707	100.00%
Changes in net assets	(9,018)		(5,695)	
Net assets - beginning of year	137,182		142,877	
Net assets - end of year	\$ 128,164		\$ 137,182	

As shown, program revenue in the form of grants and contributions provide about 99.27% and 99.63%, respectively of the funds for governmental activities, which are expended primarily on core services, intensive services, and direct training. Operating grant revenue for 2005 was \$732,754 or 12.75% less than 2004. Operating grant revenue for 2004 was \$635,049 or 12.6% more than 2003.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Governmental Funds

The Consortium completed the fiscal year June 30, 2005, with a total governmental fund balance of \$67,147, \$20,047 less than last year's ending fund balance of \$87,194. The Consortium completed the fiscal year June 30, 2004, with a total governmental fund balance of \$87,194, \$197 more than June 30, 2003, ending fund balance of \$86,977.

Capital Assets

At the end of the 2005 fiscal year, the Consortium had invested a cumulative of \$273,740 in capital assets, including, vehicles and equipment (see Table 3). Supplementary information about capital assets can be found in Note 4, page 20. The Consortium recognized depreciation expense of \$25,691 for governmental activities. Total accumulated depreciation on these assets was \$212,723.

Table 3
Capital Assets

	2005	2004	% Change
Equipment	\$ 178,782	\$ 178,782	0.00%
Vehicles and signs	94,958	73,380	29.41%
Accumulated depreciation	(212,723)	(202,174)	5.22%
Totals	\$ 61,017	\$ 49,988	

Factors Bearing on West Central Michigan Employment and Training Consortium's Future

There are a variety of factors concerning the Organization's future in the next 1-3 year period.

- The two largest programs are undergoing re-organization and re-authorization. The Workforce Investment Act (WIA) is operating on a Continuing Resolution and various versions of new legislation have been suggested. Common measures and various other program changes are being implemented. Work First is also being revised at the state level, with funding from additional and different sources and changes in program structure, and design being deliberated. Changes in structure and funding of these two programs will be major and require staff training and resources to facilitate implementation.
- Space limitations at the Big Rapids Service Center continue to be an issue. This will not be addressed this program year because of other changes, funding, and lease term considerations.
- Economic dislocations continue, although on a smaller scale. As of this writing, there has been a major closing and group layoffs both within and adjacent to the region, affecting workers who live here.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Factors Bearing on West Central Michigan Employment and Training Consortium's Future (Continued)

Longer term, even with some discussion of the current delivery structure, Service Centers (One Stops), Michigan Works! Agencies and local control, seem to have significant support in the most prominent legislation and changes contemplated. The fact that legislative changes are under consideration, speaks well for the continued commitment to the Employment and Training system, as the means of delivering these services to job seekers, employers, and facilitating the welfare reform emphasis on employment and economic self-sufficiency. The fact that they are looking at how to change or improve it, is a sign of continued commitment, rather than a plan to eliminate the services.

Contacting the West Central Michigan Employment and Training Consortium's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Griffith, Executive Director, at 110 Elm Street, Big Rapids, MI 49307.

**West Central Michigan Employment and Training Consortium
(d/b/a "Michigan Works! West Central")**

Statement of Net Assets

June 30, 2005

Assets:

Cash	\$ 82,780
Grants receivable	639,690
Other receivables	584
Prepaid expenses	72,758
Capital assets, net of accumulated depreciation	61,017

TOTAL ASSETS	\$ 856,829
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Liabilities:

Accounts payable	\$ 688,719
Accrued payroll and related expenses	16,096
Grant funds received in advance	23,850

Total liabilities	728,665
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Net assets:

Invested in capital assets	61,017
Unrestricted	67,147

Total net assets	128,164
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TOTAL LIABILITIES AND NET ASSETS	\$ 856,829
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West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Statement of Activities

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets Government Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Job training	\$ 4,976,493	\$ 4,976,493	\$ 36,720	\$ 36,720
Total program activities	4,976,493	4,976,493	36,720	36,720
Support services:				
Corporate activities	21,092	1,045	0	(20,047)
Depreciation	25,691	0	0	(25,691)
Total support services	46,783	1,045	0	(45,738)
Total governmental activities	\$ 5,023,276	\$ 4,977,538	\$ 36,720	(\$ 9,018)
Change in net assets				(\$ 9,018)
Net assets - June 30, 2004				137,182
Net assets - June 30, 2005				\$ 128,164

See accompanying notes to financial statements.

West Central Michigan Employment and Training Consortium
(d/b/a "Michigan Works! West Central")

Balance Sheet - Governmental Fund

June 30, 2005

Assets:

Cash	\$ 82,780
Grants receivable	639,690
Other receivables	584
Prepaid expenses	72,758

TOTAL ASSETS

\$ 795,812

Liabilities:

Accounts payable	\$ 688,719
Accrued payroll and related expenses	16,096
Unearned revenue	23,850

Total liabilities

728,665

Fund balance - unreserved, undesignated, unrestricted

67,147

TOTAL LIABILITIES AND FUND BALANCE

\$ 795,812

See accompanying notes to financial statements.

West Central Michigan Employment and Training Consortium
(d/b/a "Michigan Works! West Central")

Reconciliation of Balance Sheet - Governmental Funds to the
Statement of Net Assets

June 30, 2005

Total fund balance - governmental funds	<u>\$ 67,147</u>
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Total net assets reported to governmental activities in the statement of net assets are different from the amount reported above as to governmental funds balance because:

Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets are:

Governmental capital assets	\$ 273,740	
Governmental accumulated depreciation	<u>(212,723)</u>	
		<u>61,017</u>

Total net assets - governmental activities	<u><u>\$ 128,164</u></u>
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See accompanying notes to financial statements.

West Central Michigan Employment and Training Consortium
(d/b/a "Michigan Works! West Central")

Statement of Revenue, Expenditures, and Changes in
Fund Balance - All Governmental Fund Types
Year Ended June 30, 2005

Revenue:

Federal grants	\$ 4,713,661
State grants	237,217
Other revenue	58,247
Match/in kind	5,133

Total revenue	5,014,258
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Expenditures:

Administration	483,734
Program	281,254
Direct administration	235,038
Direct client program	1,066,705
Direct client participant	514,664
Supportive services	237,130
WIA services	2,099,463
Other expenses	111,184
Match/in kind	5,133

Total expenditures	5,034,305
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Excess of revenue over (under) expenditures	(20,047)
Fund balance - June 30, 2004	87,194

Fund balance - June 30, 2005	\$ 67,147
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**West Central Michigan Employment and Training Consortium
(d/b/a "Michigan Works! West Central")**

**Reconciliation of Statement of Revenue, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005**

Net change in fund balances - total governmental funds (\$ 20,047)

Amounts reported for governmental activities in the
statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as
expenditures. However, for governmental activities, those costs are shown
in the statement of net assets and allocated over their estimated useful lives
as annual depreciation expenses in the statements of activities.

Capital outlay reported in governmental fund statements	36,720
Depreciation expense reported in the statement of activities	<u>(25,691)</u>

Amount by which capital outlays are more than depreciation in the
current period

11,029

Change in net assets - governmental activities

(\$ 9,018)

See accompanying notes to financial statements.

West Central Michigan Employment and Training Consortium
(d/b/a "Michigan Works! West Central")

Statement of Assets and Liabilities - Agency Fund
June 30, 2005

Assets:	
Deferred compensation funds on deposit	\$ 29,310
TOTAL ASSETS	\$ 29,310
Liabilities:	
Compensated leave and vacation payable	\$ 29,310
TOTAL LIABILITIES	\$ 29,310

See accompanying notes to financial statements.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Operations

West Central Michigan Employment and Training Consortium (the "Consortium" or the "Organization"), which is a local governmental administrative entity, was organized under the Michigan Department of Labor Instruction Letter No. 84-8 pursuant to Section 103(b)(1) of the Job Training Partnership Act, PL 97-300 of 1982, as the grant recipient and the administrative entity for the Service Delivery Area which covers the counties and cities below. The Organization was formed to prepare youth and unskilled adults for entry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in the cities of Ludington and Big Rapids and Lake, Mason, Mecosta, Newaygo, and Osceola counties in Michigan. The Organization is primarily supported through federal and state government grants. Approximately 97% of the total funding is federal pass-through funds received from Michigan Department of Labor and Economic Growth.

The financial statements of the Consortium have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements in the preparation of their government-wide statements. The significant accounting principles and policies utilized by the Consortium are described below:

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and statement of activities) present financial information about the Consortium's nonfiduciary activities as a whole. Governmental activities generally are financed through intergovernmental revenue and other nonexchange transactions.

The statement of activities presents the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue consists of grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all interest income, is presented as general revenue.

The Consortium applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense which can be specifically identified by function is included in the direct expenses of the function.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements

The accounts of the Consortium are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained, consistent with legal and managerial requirements.

Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Consortium reports the following major governmental fund:

- General Fund – This is the Consortium's primary operating funds. It accounts for all financial activity that is not required to be accounted for in another fund.

In addition, the Consortium reports the following fund type:

- Agency Funds – The Consortium accounts for assets held as an agent for the funded leave compensation plan.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Consortium gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Consortium considers all revenue reported in the governmental funds to be available if the revenue is collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Measurement Focus and Basis of Accounting (Continued)

Unearned revenue is reported on the balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Consortium before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. Capital assets are recorded in the government-wide financial statement but are not reported in the fund financial statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Equipment	\$5,000	Straight line	3
Vehicles and signs	\$5,000	Straight line	5

Federal and State Grant Revenue

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as unearned revenue.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Whenever possible, costs are allocated directly to each program. Joint costs are those costs incurred for the common benefit of all Consortium programs that cannot be readily identified with a final cost objective.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

The Consortium is a consortium of governments organized under Michigan Public Act 7 of 1967 and is exempt from federal and Michigan income taxes.

Budgetary Accounting

The Consortium receives funds under various grants and contracts which end on various budget cycles. As a result, no formal organization-wide budget is available. Therefore, no budgetary comparison has been included in these financial statements.

Vested Compensation Absences and Payable

Using the criteria established in GASB Statement 16, a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place.

West Central Michigan Employment and Training Consortium's personnel policy states that accumulated vacation is to be used within one year of the date that it is credited to the employee; therefore, the entire balance of \$29,310 in funded leave and vacation compensation payable is considered a short-term liability and has accordingly been reported on the combined balance sheet of West Central Michigan Employment and Training Consortium at June 30, 2005.

Note 2 Cash

West Central Michigan Employment and Training Consortium maintains cash balances at local banks in interest-bearing checking accounts. As of June 30, 2005, the bank balance was \$163,662 and the carrying amount was \$112,090. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Balances in excess of \$100,000 are not collaterally secured by the banks. As of June 30, 2005, the Consortium did not have any deposits that were uninsured and uncollateralized.

Due to varying cash flows, West Central Michigan Employment and Training Consortium's deposits with financial institutions may have been lower or higher during the year than at year-end. Therefore, a portion of deposits may or may not have been uninsured and uncollateralized at points during the year.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 3 Grants Receivable

Grants receivable at June 30, 2005, consisted of the following:

Grant	Amount
Food Assistance	\$ 5,014
FA Supportive Services	49
State GF/GP	32,606
WIA Adult	96,245
WIA Youth	147,180
WIA Statewide Youth	6,453
WIA Dislocated Worker	133,738
WIA Negotiated Adjustment Grant	6,500
WIA Incumbent Worker	13,097
WIA Incentive	5,842
Work First	59,173
WF Transportation to Work	1,038
Reed Act	52,622
Trade Act	80,133
Total	\$ 639,690

Note 4 Fixed Assets

Capital asset balances and activity for the year ended June 30, 2005, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 178,782	\$ 0	\$ 0	\$ 178,782
Vehicles and signs	73,380	36,720	(15,142)	94,958
Total capital assets being depreciated	252,162	36,720	(15,142)	273,740
Less accumulated depreciation for:				
Equipment	(160,472)	(10,906)	0	(171,378)
Vehicles and signs	(41,702)	(14,785)	15,142	(41,345)
Total accumulated depreciation	(202,174)	(25,691)	15,142	(212,723)
Governmental activities capital assets, net of accumulated depreciation	\$ 49,988	\$ 11,029	\$ 0	\$ 61,017

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 5 Leases

The Consortium has various lease rental agreements for each of the offices of West Central Michigan Employment and Training Consortium. Payments on agreements during the year ended June 30, 2005, were \$338,336. The leases are cancelable in the event of a loss of funding to the Consortium. Future minimum lease payments on leases having funding contingencies beyond June 30, 2005, are as follows:

2006	\$ 343,260
2007	304,176
2008	304,176
2009	254,372
2010	103,368
Thereafter	229,320
<u>Total</u>	<u>\$ 1,538,672</u>

West Central Michigan Employment and Training Consortium subleases facilities under operating leases. The operating lease revenue for the year ended June 30, 2005, was \$121,528. Future minimum lease receipts on subleases having terms beyond 2005 are as follows:

2006	\$ 39,504
2007	6,468
2008	4,272
2009	4,272
2010	1,424
<u>Total</u>	<u>\$ 55,940</u>

Note 6 Pension Plan

All employees of West Central Michigan Employment and Training Consortium, except leased employees and interns hired after December 16, 1986, are eligible to participate in a defined contribution money-purchase plan after completing one year of service. West Central Michigan Employment and Training Consortium contributes a percentage of covered wages to the plan. The 2004-2005 required contributions of \$19,773, charged to the year ended June 30, 2005, are 7% of current year covered payroll. During the year, no retirees received benefits under these provisions.

Note 7 Risk Management

The Organization is exposed to various risks of loss including general liability, property damage, employee dishonesty, and workers' compensation for which the Organization carries commercial insurance. There have not been any claims in any of the three prior years.

West Central Michigan Employment and Training Consortium
(d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 8 Contingency/Subsequent Event

During fiscal year 2002-2003, the Organization turned over to law enforcement the investigation regarding an alleged fraud relating to federal monies. During fiscal years 2004 and 2005, the perpetrator was convicted of forgery and was imprisoned for 30 days. As a result of a court order the perpetrator was required to pay restitution in the amount of \$25,955. As of June 30, 2005, \$23,000 was paid back to the State of Michigan. On July 13, 2005, the Organization received the remaining amount of \$2,955 which was forwarded on to the State of Michigan.

Additional Information

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Schedule A-1

Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2005

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE				
FEDERAL FUNDS (Pass-Through Dollars)				
Department of Agriculture				
10.561	Food Assistance Supp. Svc.	Michigan Department of Labor & Economic Growth	\$ 199	
10.561	Food Assistance	Michigan Department of Labor & Economic Growth	84,191	
	Subtotal 10.561		84,390	73,071
Department of Defense (Direct Cooperative Agreements)				
12.002	DOD Defense Logistics	Defense Logistics Agency	19,891	0
Department of Labor				
17.207	Employment Services	Michigan Department of Labor & Economic Growth	251,280	197,761
17.245	Trade Act	Michigan Department of Labor & Economic Growth	515,850	505,767
17.258	WIA Adult	Michigan Department of Labor & Economic Growth	589,905	
17.258	WIA Statewide Youth - Adult	Michigan Department of Labor & Economic Growth	3,761	
17.258	WIA Statewide Performance Incentive - Adult	Michigan Department of Labor & Economic Growth	18,975	
17.258	WIA Statewide Incumbent Worker - Adult	Michigan Department of Labor & Economic Growth	15,593	
17.258	WIA Statewide Capacity Building - Adult	Michigan Department of Labor & Economic Growth	6,684	
17.258	WIA Adult Administration	Michigan Department of Labor & Economic Growth	69,887	
	Subtotal 17.258		704,805	563,480
17.259	WIA Youth	Michigan Department of Labor & Economic Growth	629,918	
17.259	WIA Statewide Youth - Youth	Michigan Department of Labor & Economic Growth	4,112	
17.259	WIA Statewide Performance Incentive - Youth	Michigan Department of Labor & Economic Growth	24,468	
17.259	WIA Statewide Incumbent Worker - Youth	Michigan Department of Labor & Economic Growth	18,778	
17.259	WIA Statewide Capacity Building - Youth	Michigan Department of Labor & Economic Growth	7,308	
17.259	WIA Youth Administration	Michigan Department of Labor & Economic Growth	74,989	
	Subtotal 17.259		759,573	567,803
17.260	WIA Dislocated Worker/Rapid Response	Michigan Department of Labor & Economic Growth	712,817	
17.260	WIA Statewide Youth - Dislocated Worker	Michigan Department of Labor & Economic Growth	5,631	
17.260	WIA Statewide Performance Incentive - Dislocated Worker	Michigan Department of Labor & Economic Growth	22,299	
17.260	WIA Statewide Incumbent Worker - Dislocated Worker	Michigan Department of Labor & Economic Growth	20,511	
17.260	WIA Statewide Capacity Building - Dislocated Worker	Michigan Department of Labor & Economic Growth	10,008	
17.260	WIA Dislocated Worker Administration	Michigan Department of Labor & Economic Growth	116,617	
17.260	WIA Negotiated Adjustment Grant	Michigan Department of Labor & Economic Growth	180,000	
	Subtotal 17.260		1,067,883	785,916
	Subtotal 17.258, 17.259, and 17.260 Cluster		2,532,261	1,917,199
17.UNK	Reed Act/One Stop	Michigan Department of Labor & Economic Growth	46,113	
17.UNK	Reed Act/Work First	Michigan Department of Labor & Economic Growth	400,346	
17.UNK	Reed Act Accessibility	Michigan Department of Labor & Economic Growth	1,155	
	Subtotal 17.UNK		447,614	345,565

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Schedule A-2

Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2005

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)				
FEDERAL FUNDS (Pass-Through Dollars) (Continued)				
Department of Health and Human Services: TANF				
93.558	Work First	Michigan Department of Labor & Economic Growth	862,375	612,408
	Total Federal Assistance		4,713,661	3,651,771
NONFEDERAL PROGRAMS				
	WIA Statewide Incumbent Worker - Adult - Match	N/A	15,441	
	WIA Statewide Incumbent Worker - Youth - Match	N/A	16,883	
	WIA Statewide Incumbent Worker - Dislocated Worker - Match	N/A	23,120	
N/A	MEDC Procurement	Michigan Economic Development Corporation	19,891	
N/A	GF/GP State	Michigan Department of Labor & Economic Growth	224,217	
	Subtotal Nonfederal Programs		299,552	
DISCRETIONARY ACTIVITY				
	Corporate expenses		21,092	
	TOTALS		\$ 5,034,305	

Note to Schedule of Expenditures of Federal Awards and Other Financial Assistance

This schedule includes the federal grant activity of West Central Michigan Employment and Training Consortium and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
West Central Michigan Employment and Training Consortium
Big Rapids, Michigan

We have audited the financial statements of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2005, and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Central Michigan Employment and Training Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Central Michigan Employment and Training Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Wipfli LLP

October 20, 2005
Madison, Wisconsin

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance

Board of Directors
West Central Michigan Employment and Training Consortium
Big Rapids, Michigan

Compliance

We have audited the compliance of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. West Central Michigan Employment and Training Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of West Central Michigan Employment and Training Consortium's management. Our responsibility is to express an opinion on West Central Michigan Employment and Training Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Central Michigan Employment and Training Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Central Michigan Employment and Training Consortium's compliance with those requirements.


In our opinion, West Central Michigan Employment and Training Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of West Central Michigan Employment and Training Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered West Central Michigan Employment and Training Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wipfli LLP

October 20, 2005
Madison, Wisconsin

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of West Central Michigan Employment and Training Consortium.
2. No reportable conditions relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instance of noncompliance material to the financial statements of West Central Michigan Employment and Training Consortium were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award program for West Central Michigan Employment and Training Consortium expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for West Central Michigan Employment and Training Consortium.
7. The programs tested as major programs were the Trade Act CFDA #17.245 and Workforce Investment Act Cluster of CFDA #17.258, #17.259, and #17.260.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. West Central Michigan Employment and Training Consortium was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Questioned Costs: None

Findings: None